

BUSS & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

LENOX TOWNSHIP LIBRARY

New Haven, Michigan

FINANCIAL REPORT

WITH SUPPLEMENTAL INFORMATION

PREPARED IN ACCORDANCE WITH GASB 34

June 30, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1966, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type MUNICIPAL LIBRARY <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name LENOX TOWNSHIP LIBRARY	County MACOMB
Fiscal Year End 6/30/06	Opinion Date 9/1/06	Date Audit Report Submitted to State 9/25/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

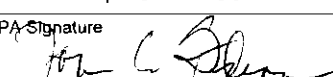
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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) BUSS & COMPANY, P.C.		Telephone Number (586) 263-8200	
Street Address 42550 GARFIELD, SUITE 105		City CLINTON TWP.	State MI
		Zip 48038	
Authorizing CPA Signature 		Printed Name JOHN E. GIDEON	
		License Number 1101007016	

LENOX TOWNSHIP LIBRARY
New Haven, Michigan
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INDEPENDENT AUDITOR'S REPORT

September 1, 2006

Board of Trustees
Lenox Township Library
New Haven, Michigan

Honorable Members:

We have audited the accompanying financial statements of the Lenox Township Library, a component unit of Lenox Township, as of June 30, 2006, and for the year then ended. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note I A, the financial statements present only the Lenox Township Library and are not intended to present fairly the financial position and changes in financial position for the year then ended of Lenox Township, County of Macomb, Michigan, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Lenox Township Library as of June 30, 2006, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

BUSS & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

Board of Trustees
Lenox Township Library
September 1, 2006
Page 2

The management's discussion and analysis on pages 3 through 4 and budgetary comparison schedule on page 15, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully,

BUSS & COMPANY, P.C.

A handwritten signature in cursive script that reads "Buss & Company, P.C.".

Certified Public Accountants

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LENOX TOWNSHIP LIBRARY
New Haven, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006

Using this Annual Report

This annual report consists of three parts - *Management's discussion and analysis* (this section), the *basic financial statements*, and *required supplemental information*. The basic financial statements include information that presents two different views of the Library:

- The *government-wide financial statements* provide both *long-term* and *short-term* information about the Library's *overall* financial status. The statement of net assets and the statement of activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.
- The governmental fund financial statements include information on the Library under the modified accrual method. These *Fund Financial Statements* focus on current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplemental information* that further explains and supports the information in the financial statements.

Condensed Financial Information

The table below provides key financial information in a condensed format for the current year and prior year.

	<u>2006</u>	<u>2005</u>
Current assets	\$653,055	\$535,587
Capital assets	<u>188,413</u>	<u>182,323</u>
Total Assets	<u>\$841,468</u>	<u>\$717,910</u>
Other liabilities	<u>\$ 5,792</u>	<u>\$ 9,019</u>
Total Liabilities	<u>\$ 5,792</u>	<u>\$ 9,019</u>
Net Assets:		
Invested in capital assets, net of related debt	\$188,413	\$182,323
Unrestricted	<u>647,263</u>	<u>526,568</u>
Total Net Assets	<u>\$835,676</u>	<u>\$708,891</u>
Revenue:		
Property taxes	\$321,338	\$299,139
Other	<u>51,488</u>	<u>36,203</u>
Total Revenue	<u>\$372,826</u>	<u>\$335,342</u>
Expenses - Library services	<u>246,041</u>	<u>216,909</u>
Change in Net Assets	<u>\$126,785</u>	<u>\$118,433</u>

(Continued)

LENOX TOWNSHIP LIBRARY
New Haven, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
June 30, 2006

The Library as a Whole

- The Library's net assets increased by \$126,785 this year. The primary reason for the increase is the continued growth of the Library's property tax base, which increased 7.7% from the prior year.
- The Library's primary source of revenue is from property taxes, which represents 86.2% of total revenue.
- Total expenses were 67.6% of total revenue for the year. Salaries amount to approximately 47.5% of total expenditures. Benefits amount to 13.4% of total expenditures.

The Library's Fund

Our analysis of the Library's fund is included on pages 7 and 9. The Library Board has the ability to create separate funds to help manage money for specific purposes, and to maintain accountability for certain activities, such as special property tax millages. All of the Library's activities are reported in a single fund.

The fund balance of the Library increased during the current year by \$120,695. The increase exceeded the budgeted increase of \$ -0- by \$120,695. Revenues exceeded budgeted amounts by \$42,052 due primarily to property taxes increasing more than expected and an increase in interest rates. Budgeted expenditures exceeded actual expenditures by \$78,643 due primarily to salaries and fringes not increasing as much as expected as well as expenditures for capital outlay being less than planned.

Library Budgetary Highlights

Over the course of the year, the Library Board amended the budget to take into account events that occurred during the year. The amendments made during the year simply reallocated certain budgeted expenses; there were no changes to total revenues or expenditures.

Capital Assets

At the end of the fiscal year, the Library had \$330,215 invested in buildings and improvements, furniture and fixtures, equipment, and books and materials. The Library added \$33,282 in new collection items consisting of new books, various audio/visual materials and furniture and equipment.

Economic Factors and Considerations for Next Year

The Library's tax base continues to increase with the growth of the Township. We, however, need to continue to watch our budget very closely. Expenditures that will be especially important in the coming year include health insurance benefits which have shown significant increases in the last few years and employee compensation, because it is such a significant portion of the Library's operating expenses.

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Library Director, at 58976 Main Street, New Haven, Michigan 48048.

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

LENOX TOWNSHIP LIBRARY
New Haven, Michigan
STATEMENT OF NET ASSETS
June 30, 2006

Exhibit 1

ASSETS

Cash and cash equivalents	\$523,455
Investments	100,000
Accrued interest	2,527
Library Cooperative of Macomb account	11,570
Taxes receivable	1,354
Due from other governments	3,057
Prepaid expenditures	11,092
Capital assets - Net of accumulated depreciation	<u>188,413</u>
 Total Assets	 <u>\$841,468</u>

LIABILITIES

Accounts payable and accrued liabilities	\$ 4,438
Deferred revenue	<u>1,354</u>
 Total Liabilities	 <u>\$ 5,792</u>

NET ASSETS

Invested in capital assets, net of related debt	\$188,413
Unrestricted	<u>647,263</u>
 Total Net Assets	 <u>\$835,676</u>

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.
 CERTIFIED PUBLIC ACCOUNTANTS
 CLINTON TOWNSHIP, MICHIGAN

LENOX TOWNSHIP LIBRARY
New Haven, Michigan
STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

<u>FUNCTION/PROGRAM:</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u> <u>CHARGES FOR</u> <u>SERVICES</u>	<u>NET (EXPENSE)</u> <u>REVENUE AND CHANGES</u> <u>IN NET ASSETS -</u> <u>GOVERNMENTAL</u> <u>ACTIVITIES</u>
Governmental Activities:			
Library services/operations	<u>\$246,041</u>	<u>\$ 6,287</u>	<u>(\$239,754)</u>
<u>GENERAL REVENUES:</u>			
Property taxes			\$321,338
State revenues			20,771
Interest on investments			19,015
Contributions and donations			25
Centralized purchasing			<u>5,390</u>
Total General Revenues			<u>\$366,539</u>
CHANGE IN NET ASSETS			\$126,785
<u>NET ASSETS:</u>			
Beginning of year			<u>708,891</u>
End of year			<u>\$835,676</u>

See accompanying notes to financial statements.

Buss & Company, P.C.
 CERTIFIED PUBLIC ACCOUNTANTS
 CLINTON TOWNSHIP, MICHIGAN

LENOX TOWNSHIP LIBRARY
New Haven, Michigan
COMPARATIVE BALANCE SHEET
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash	\$523,455	\$513,764
Investments	100,000	-
Accrued interest	2,527	-
Library Cooperative of Macomb account	11,570	9,760
Taxes receivable	1,354	3,636
Due from other governments	3,057	3,688
Prepaid expenditures	<u>11,092</u>	<u>4,739</u>
Total Assets	<u>\$653,055</u>	<u>\$535,587</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES:</u>		
Accounts payable	\$ 4,438	\$ 5,383
Deferred Revenue - Property taxes	<u>1,354</u>	<u>3,636</u>
Total Liabilities	\$ 5,792	\$ 9,019
<u>FUND BALANCE:</u>		
Unreserved, Undesignated	<u>647,263</u>	<u>\$26,568</u>
Total Liabilities and Fund Balance	<u>\$653,055</u>	<u>\$535,587</u>

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.
 CERTIFIED PUBLIC ACCOUNTANTS
 CLINTON TOWNSHIP, MICHIGAN

LENOX TOWNSHIP LIBRARY
New Haven, Michigan
RECONCILIATION OF FUND BALANCE TO THE STATEMENT OF NET ASSETS
For The Year Ended June 30, 2006

TOTAL FUND BALANCE - MODIFIED ACCRUAL BASIS	\$647,263
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Amounts reported for governmental activities in the statement of
 net assets are different because:

Capital assets used in governmental activities are not financial
 resources and are not reported in the governmental funds:

The cost of capital assets is	\$330,215	
Accumulated depreciation	(141,802)	
Total		<u>188,413</u>

NET ASSETS - FULL ACCRUAL BASIS	<u>\$835,676</u>
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See accompanying notes to financial statements.

BUSS & COMPANY, P.C.
 CERTIFIED PUBLIC ACCOUNTANTS
 CLINTON TOWNSHIP, MICHIGAN

LENDX TOWNSHIP LIBRARY
 New Haven, Michigan

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 For The Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<u>REVENUES:</u>		
Property taxes	\$321,338	\$299,139
State aid	6,091	7,366
Single business tax	2,282	2,282
Penal fines	12,398	8,849
Interest	19,015	6,022
Donations	25	100
Centralized purchasing	5,390	5,399
Miscellaneous	<u>6,287</u>	<u>6,185</u>
Total Revenues	<u>\$372,826</u>	<u>\$335,342</u>
<u>EXPENDITURES:</u>		
Current:		
Salaries	\$119,658	\$106,314
Employee benefits and payroll taxes	33,788	24,782
Magazines and newspapers	2,020	2,675
Supplies	4,554	4,104
Automation	13,800	13,959
Database subscription	5,495	1,815
Cooperative services	3,351	1,832
Repairs and maintenance	7,172	4,325
Membership and dues	745	545
Telephone and utilities	7,525	7,593
Professional fees	6,188	8,703
Public relations	88	-
Programming	1,681	1,189
Insurance	5,964	5,676
Workshops and conferences	1,199	601
Miscellaneous	361	2,388
Tax refunds	1,555	-
Capital outlay	<u>36,987</u>	<u>28,215</u>
Total Expenditures	<u>\$252,131</u>	<u>\$214,716</u>
EXCESS OF REVENUES OVER EXPENDITURES	\$120,695	\$120,626
FUND BALANCE - JULY 1	<u>526,568</u>	<u>405,942</u>
FUND BALANCE - JUNE 30	<u>\$647,263</u>	<u>\$526,568</u>

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

LENOX TOWNSHIP LIBRARY
New Haven, Michigan
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2006

NET CHANGE IN FUND BALANCE - MODIFIED ACCRUAL BASIS \$120,695

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation expense.

Depreciation expense	(\$ 27,192)	
Capital outlay - in excess of \$2,000	<u>33,282</u>	
Total		<u>6,090</u>

CHANGE IN NET ASSETS - FULL ACCRUAL BASIS \$126,785

See accompanying notes to financial statements.

LENOX TOWNSHIP LIBRARY
New Haven, Michigan
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Lenox Township Library (the "Library") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

A. GOVERNMENTAL REPORTING ENTITY

The Library is located in Lenox Township, Michigan and is governed by an independent six-member board. The Library was formed under P.A. 164 of 1877 and remains a fund of the Township. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board and include only the results of operations of the Library.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in two parts - invested in capital assets, net of related debt; and unrestricted net assets.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to Library patrons who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues, and are reported instead as general revenue.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Library.

The Library reports all of its activities in a single fund on the modified accrual basis.

(Continued)

LENOX TOWNSHIP LIBRARY
New Haven, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2006

C. ASSETS, LIABILITIES AND FUND EQUITY

Cash and Investments - The Library has defined cash and cash equivalents to include cash on hand and demand deposits. Investments are reported at fair value.

Receivables and Payables - Property taxes receivable represent uncollected property taxes levied on December 1, 2005.

Lenox Township property tax is levied on each December 1st on the taxable value of property (as defined by state statutes) located in the Township. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The 2005 taxable valuation of the Township totals approximately \$241.8 million, on which ad valorem taxes levied consisted of 1.2975 mills for Library operations, raising \$313,739 for Library operating purposes. The amount uncollected at June 30, 2006 is recognized in the financial statements as taxes receivable with an offsetting credit to deferred revenue. Taxes receivable has been reduced for amounts received during the year.

Capital Assets - Capital assets are defined by the Library as assets with an initial cost of more than \$2,000 and an estimated useful life in excess of one year. Due to the significance of the Library's annual acquisition of Library books and materials and the shelf life on most materials extended beyond one year, annual acquisitions of books and materials are treated as capitalized assets in order to spread their cost over their estimated useful life. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	40 years
Furniture and equipment	7 years
Improvements	15 years
Library books and materials	7 years

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represents tentative management plans that are subjective to change. At June 30, 2006, there is no reservation or designation of fund balance.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

(Continued)

LENOX TOWNSHIP LIBRARY
New Haven, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2006

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETS

An annual operating budget on the modified accrual basis of accounting consistent with generally accepted accounting principles is formally adopted for the Library. The budget can be amended by approval of the majority of the Board of Trustees. Amendments are presented to the Board at their regular meetings. All annual appropriations lapse at fiscal year end.

The budget has been adopted on a line item basis; expenditures at this level in excess of budgeted amount are a violation of Michigan law. A comparison of actual results of operations to the budget can be found in the supplemental information.

III. DETAILED NOTES

A. DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Library to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Library in accordance with Public Act 20 of 1943 (as amended) authorizes investments in U.S. Treasuries, U.S. Agencies, instrumentalities, certificates of deposit, commercial paper (meeting certain rating and maturity requirements), investment pools and mutual funds. The policy delegates management of the investment program to the Lenox Township Treasurer pursuant to MCLA 41.76.

At year end the Library's deposits and investments were reported in the basic financial statements in the following categories:

Cash and cash equivalents	\$523,455
Investments	<u>100,000</u>
Total	<u>\$623,455</u>

The breakdown between deposits and investments is as follows:

Bank deposits (checking and savings accounts, certificates of deposit)	<u>\$623,455</u>
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(Continued)

LENOX TOWNSHIP LIBRARY
New Haven, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2006

A. DEPOSITS AND INVESTMENTS (Continued)

The Library's cash and investments are subject to certain types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a deposit policy for custodial credit risk.

At year end, bank deposits were reflected in the accounts of the bank at \$630,622. Of that amount, \$300,114 was covered by federal depository insurance and \$330,508 was uninsured and uncollateralized. The Library believes that due to dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Library evaluates each financial institution it deposits Library funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

B. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2006 follows:

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>ENDING BALANCE</u>
<u>CAPITAL ASSETS BEING DEPRECIATED:</u>				
Buildings and improvements	\$137,152	\$ -	\$ -	\$137,152
Furniture and equipment	23,178	5,970	-	29,148
Library books and material	<u>165,565</u>	<u>27,312</u>	<u>28,962</u>	<u>163,915</u>
	\$325,895	\$ 33,282	\$ 28,962	\$330,215
Accumulated depreciation	<u>(143,572)</u>	<u>(27,192)</u>	<u>(28,962)</u>	<u>(141,802)</u>
Net Book Value	<u>\$182,323</u>	<u>\$ 6,090</u>	<u>\$ -</u>	<u>\$188,413</u>

IV. RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workers' compensation benefits provided to employees. The Library has purchased commercial insurance to cover potential claims.

Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

V. DEFERRED COMPENSATION PLAN

The Library has adopted a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or financial hardship.

The assets of the plan are held in trust as described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries and may not be diverted to any other use. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the Library's financial statements.

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

REQUIRED SUPPLEMENTAL INFORMATION

BUSS & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

CLINTON TOWNSHIP, MICHIGAN

LENOX TOWNSHIP LIBRARY
New Haven, Michigan
BUDGETARY COMPARISON SCHEDULE
For The Year Ended June 30, 2006

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u> <u>AMOUNTS</u> <u>(BUDGETARY BASIS)</u>	<u>VARIANCE WITH</u> <u>FINAL BUDGET</u> <u>POSITIVE</u> <u>(NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES:</u>				
Property taxes	\$300,000	\$300,000	\$321,338	\$ 21,338
State aid	7,300	7,300	6,091	(1,209)
Single business tax	2,200	2,200	2,282	82
Penal fines	7,974	7,974	12,398	4,424
Interest	3,000	3,000	19,015	16,015
Donations	100	100	25	(75)
Centralized purchasing	4,200	4,200	5,390	1,190
Miscellaneous	<u>6,000</u>	<u>6,000</u>	<u>6,287</u>	<u>287</u>
Total Revenues	<u>\$330,774</u>	<u>\$330,774</u>	<u>\$372,826</u>	<u>\$ 42,052</u>
<u>EXPENDITURES:</u>				
Salaries	\$145,000	\$145,000	\$119,658	\$ 25,342
Employee benefits and payroll taxes	40,100	40,100	33,788	6,312
Magazines and newspapers	2,500	2,500	2,020	480
Supplies	8,000	8,000	4,554	3,446
Automation	15,000	15,000	13,800	1,200
Database subscription	5,000	5,500	5,495	5
Cooperative services	3,650	3,650	3,351	299
Repairs and maintenance	20,000	20,000	7,172	12,828
Membership and dues	1,500	1,500	745	755
Telephone and utilities	10,000	10,000	7,525	2,475
Professional fees	9,300	9,300	6,188	3,112
Public relations	200	200	88	112
Programming	2,000	2,000	1,681	319
Insurance	6,500	6,500	5,964	536
Workshops and conferences	4,500	4,500	1,199	3,301
Miscellaneous	7,800	5,000	361	4,639
Tax refunds	-	1,650	1,555	95
Capital outlay	<u>49,724</u>	<u>50,374</u>	<u>36,987</u>	<u>13,387</u>
Total Expenditures	<u>\$330,774</u>	<u>\$330,774</u>	<u>\$252,131</u>	<u>\$ 78,643</u>
EXCESS REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$120,695</u>	<u>\$120,695</u>

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.

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MEMBERS
The American Institute of
Certified Public Accountants
The Michigan Association of
Certified Public Accountants

September 1, 2006

Board of Trustees
Lenox Township Library
New Haven, Michigan

Re: Supplemental System and Internal Control
Comments and Recommendations in
conjunction with audit for the year ended
June 30, 2006

Honorable Members:

In planning and performing our audit of the financial statements of Lenox Township Library for the year ended June 30, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. The following items are presented that could affect Lenox Township Library's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Internal control comments are made encompassing the concept that the cost of any internal control system should not be greater than the benefits obtained. The accomplishment of recommendations that are of a legal compliance versus internal control nature are not covered by the same cost concept, but are governed solely by legal requirements.

The Library was formed under P.A. 164 of 1877. It remains a fund of Lenox Township even though the Library has an independent Board. The Library and the Township have properly adopted a system for the receipt and expenditure of Library funds through the Township Treasurer's Office.

BUDGETING

P.A. 621, The Uniform Budgeting and Accounting Act, requires all budget adjustments be made prior to the fiscal year end. The Library should review the budget throughout the year and make adjustments accordingly. The Library has timely made all budget adjustments prior to the end of the fiscal year as required. The Library should continue this practice in future years.

CASH MANAGEMENT AND INVESTMENT POLICY

The Library believes that due to dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Library evaluates each financial institution it deposits Library funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. The Library should continue to monitor cash levels and the depository institutions and utilize additional institutions when practical.

DONATED ITEMS

It is common operating procedure for the Library to accept donations of various items, primarily books and non-print material. The Library should implement a procedure in which the value of these donated items may be properly reported in the financial statements.

CASH DISBURSEMENT CUTOFF PROCEDURES

It has been the Library's practice for the Treasurer to write checks separately from the Library's central accounting software. After the checks are written, a check register is produced and forwarded to the bookkeeper who records the activity as a general journal entry. As of June 30, 2006, there was a series of checks written and dated in June which were not posted until July 2006. This situation was corrected via an adjusting journal entry. We recommend that Library management carefully monitor its cash disbursement activities to ensure that transactions are being cutoff at the proper period.

This report is intended solely for the information and use of the Board of Trustees, management, and others within the administration of the Lenox Township Library. This restriction is not intended to limit distribution of this report which, upon acceptance by the Board of Trustees, is a matter of public record.

We appreciate the cooperation of the Library staff and trustees during our audit.

Respectfully submitted,

BUSS & COMPANY, P.C.



Certified Public Accountants